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ABSTRACT

Three analyses on the State Student Incentive Grant (SSIG) program conducted by Janet S. Hansen of the College Entrance Examination Board are summarized. Two informal analyses and the following extensive analysis are considered: "The State Student Incentive Grant Program: An Assessment of the Record and Options for the Future" (Hansen, 1979). The 1979 report assessed the options for the program's future and the following three issues: disagreements about the purposes of the SSIG program, its relation to other federal grant programs, and its success as an incentive to states. It is concluded that the SSIG program apparently created a climate favoring the expansion of student grant programs, even when such expansion was not strictly necessary to gain federal matching money. However, limiting features of the program included the closed-ended matching provision, its fixed base year, and its enrollment-dependent allocation formula. Although the program added financial aid funds, it did not foster better linkages between state and federal programs. A Carter Administration proposal for changes in SSIG and recent developments in state grant programs are also briefly examined. (SW)

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SUMMARY OF COLLEGE BOARD STUDIES ON THE SSIG PROGRAM

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In 1979, as background for the pending reauthorization of the Higher Education Act in 1980, Janet Hansen of the College Board prepared an extensive analysis of the State Student Incentive Grant program. (The State Student Incentive Grant Program: An Assessment of the Record and Options for the Future, New York: College Entrance Examination Board, 1979.) In 1980 and 1981 she wrote two more informal pieces, one evaluating a Carter Administration proposal for changes in SSIG and the other reporting on recent developments in state grant programs. This paper summarizes these three analyses.

The 1979 study noted that, since its creation as a dollar-for-dollar federal matching grant program in 1972, the SSIG program had been characterized by disagreements about its purposes, its relation to other federal grant programs, and its success as an incentive to states. The report attempted to assess these three issues and consider options for the program's future.

In writing implementing regulations for the program, the Office of Education had the task of defining objectives for an undertaking whose legislative authorization was fairly general and vague. OE established two explicit goals for the program: (1) to encourage the creation of state student grant programs, and (2) to encourage increased state expenditures on such programs. Implicit goals were (1) to increase the federal assistance available to needy undergraduates, and (2) to foster better linkages between state and federal grant programs.

The program was probably successful in meeting the first objective: encouraging the creation of state grant programs. In 1972-73 ("pre-SSIG") only 28 states funded and operated need-based grant programs. By 1977-78 all 50 states and the District of Columbia had such programs. Even though the number of state student grant programs was growing prior to the inception of SSIG, it seems unlikely that all of the jurisdictions without state grants

would have added them in the five years after 1972 without the spur of the SSIG program.

It is more difficult to give SSIG credit for the large expansion of state student aid efforts that took place in the 1970's. To examine the question of SSIG's effectiveness as an incentive to states, the College Board study divided states into two groups: the 28 "pre-SSIG" states with programs in existence in 1972-73 or before and the 23 "post-SSIG" states with programs created after that year.

Overall, state programs grew enormously, from $274 million in 1971-72 to $735 million (including $59 million in federal SSIG funds) in 1977-78. Of this additional $461 million, however, the states with post-SSIG programs spent only $23 million. States with pre-SSIG programs spent the remaining $438 million.

The pre-SSIG states received the lion's share of federal SSIG funds under the program's enrollment-based allotment provisions because they enroll most of the nation's students. They also, however, spent significantly more each year on student grants than was required for them to receive their full federal allotment. In other words, in this ostensibly one-to-one federal-state matching activity, they were "overmatched." In fact, states that were significantly overmatched accounted for $417 million of the $438 million increase in pre-SSIG student grant spending between 1971-72 and 1977-78. Since these states could have spent much less than they did and still received all of their SSIG allotments, their decisions to expand their programs apparently were influenced by considerations other than the federal incentive program.

The real impact of the SSIG program might therefore have been expected to occur in the states that established student grant programs at least partially in response to the federal program and which were not for the most part

overmatched in the 1970's. Indeed, by 1977-78 the post-SSIG states were distributing $23 million to students, only $10 million of which was provided by the federal government as SSIG matching. Thus $13 million in new state assistance was available.

Nevertheless, the post-SSIG state programs received only a small proportion of federal SSIG dollars (16 percent in 1977-78), meaning that most of the federal funds (nearly $50 of $59 million in that year) did not go to states where they might have had a significant effect on state expenditures. Moreover, the new state programs accounted for just a tiny fraction (3 percent in 1977-78) of all state outlays on student grants. Thus only a small part of the total state effort on student assistance seemed susceptible to federal influence. Further, even some of the post-SSIG states were reaching the point of overmatching by the late 1970's, meaning that future incentives to enlarge their grant programs would require increased federal appropriations for SSIG. Finally, not all the post-SSIG states responded even initially to federal incentives. Through fiscal year 1977 nine states had never fully utilized their SSIG allotments, and in fiscal year 1977 14 states used less than their full share.

Three structural features limited SSIG's effectiveness as an incentive for more state spending. These included the program's "closed-ended" matching provision (with matching limited to available appropriations), its fixed base year, and its enrollment-dependent allocation formula that treated all states alike despite large differences in their grant efforts.

Despite these limitations, however, it would be unfair to conclude that SSIG was completely ineffective as an incentive. It apparently created a climate favoring the expansion of student grant programs, even when such expansion was not strictly necessary to capture federal matching money. In addition, the extra funds provided by the program may have persuaded some

states, including overmatched ones; to commit themselves statutorily to programs larger than their own resources would have allowed. Despite these positive effects, though, the SSIG program gave overmatched states few tangible benefits, since expansion of their own grant programs did not increase their share of federal funds.

In terms of what might be called the program's implicit goals, SSIG also had a mixed record. Looked at just as a student aid program, by the late 1970's it added $77 million annually to the amount of financial assistance the federal government made available for undergraduates with demonstrated financial need. Since few states were able to give awards to all eligible students, the federal allocations did aid additional needy students by supplementing state appropriations.

The program did not, however, do much to foster better linkages between state and federal programs. The much larger BEOG (now Pell) grant program provided more impetus for coordination because of its size, and SSIG contained no requirements or incentives encouraging states to coordinate with federal efforts. Moreover, the possibilities for coordination were limited in any event by major differences that existed between federal and state programs.

As they approached the 1980 reauthorization of the Higher Education Act, policy makers seemed to have three options with regard to the SSIG program. They could have phased it out, on the grounds that the program had met its original purposes insofar as possible. They could have continued the program in its existing form or perhaps made "tinkering" changes; for example, to ease administrative problems or to require states to put up new money as matching funds through some kind of change in the base year requirement. Or they could have changed the program in major ways by creating new goals for it.

In considering these options, a number of policy issues had to be addressed. Phasing out the program raised questions of the extent to which

the federal government had a moral commitment to keep faith with the states. State officials often fear that they will be left holding the bag when federal interests shift, and some states had hesitated to enact qualifying state student grant programs because of uncertainty about whether the federal commitment to SSIGs would continue and at what level. Changing the program to introduce new state requirements ran afoul both of a "laissez-faire" tradition in the program and of objections to the federal government dictating rules when it provided such a small percentage of the funds. Attempting to enhance the incentive feature of the program -- an efficiency issue -- conflicted with the goal of treating all states in the program equally. Concentrating funds on post-SSIG states, for example, where they might encourage the greatest amount of additional state spending would penalize the pre-SSIG states who were willing to aid students early-on without any impetus from the federal government. Finally, attempts to impose new rules would have run headlong into the historic problem of meshing uniform national standards and 50 state programs of very diverse purposes and design.

The difficulty of finding equitable ways to increase the incentive effects of the SSIG program was demonstrated in 1980, when the Carter Administration proposed altering the "base year" calculation for determining how much state money is available for federal matching. The idea was to give all states a tangible incentive to increase their own spending on student grants, something not many had under the existing program. The Administration proposed to do this by changing the base year against which current state spending was compared from a fixed year (for each state, two years prior to first participating in SSIG) to a rolling base year. After full phase-in, in each program year only increases in state spending over the previous year would be eligible for matching.

The proposal would have affected individual states in quite varied ways. States with large programs (the pre-SSIG states) would have had to make relatively small increases in order to qualify for their full share of federal funds, while those with small programs (for the most part, the post-SSIG states) would have had to increase their expenditures more rapidly. If all states had responded to the new incentives, the impact of federal dollars would have been increased while at the same time the disparities between low and high-spending states might have been reduced. Experience with the program suggested, however, that states with smaller programs might not be willing or able to expand their programs fast enough to capture their full share of federal funds under the new rules. The administration's plan, therefore, could have resulted in a shift in program funds to the states with larger programs (which already got the lion's share of federal SSIG appropriations) and an increase in the existing disparities among state programs.

In the spring of 1981, sensing that state grant programs were in a period of rapid change due on the one hand to threatened cutbacks in federal student aid funding and on the other to state fiscal problems, the College Board sent a brief questionnaire to states to supplement data normally gathered by the National Association of State Scholarship and Grant Programs every fall. Results indicated that the outlook for state grant programs varied significantly among states. Some state programs continued to grow. Overall, however, the rapid increases of the 1970's appeared to be over. In 1981-82 it seemed that there would be a dramatic levelling off of state grant outlays. Of 42 questionnaire respondents, only 17 expected to see program increases. Sixteen expected level funding ("at best") and 7 expected decreases. These figures were startling when contrasted to the experience of the previous five years, when increases in state grant programs from year to year were much more clearly the order of the day.